Headquarters U.S. Air Force

Integrity - Service - Excellence

Air Staff Perspective on Housing Privatization and Portfolio/ Asset Management

Col Bob Griffin
HQ USAF/ILEH
4 May 2004

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Overview

- **Military Family Housing**
- **Privatization: a new tool for doing business**
- **Where you come in…**

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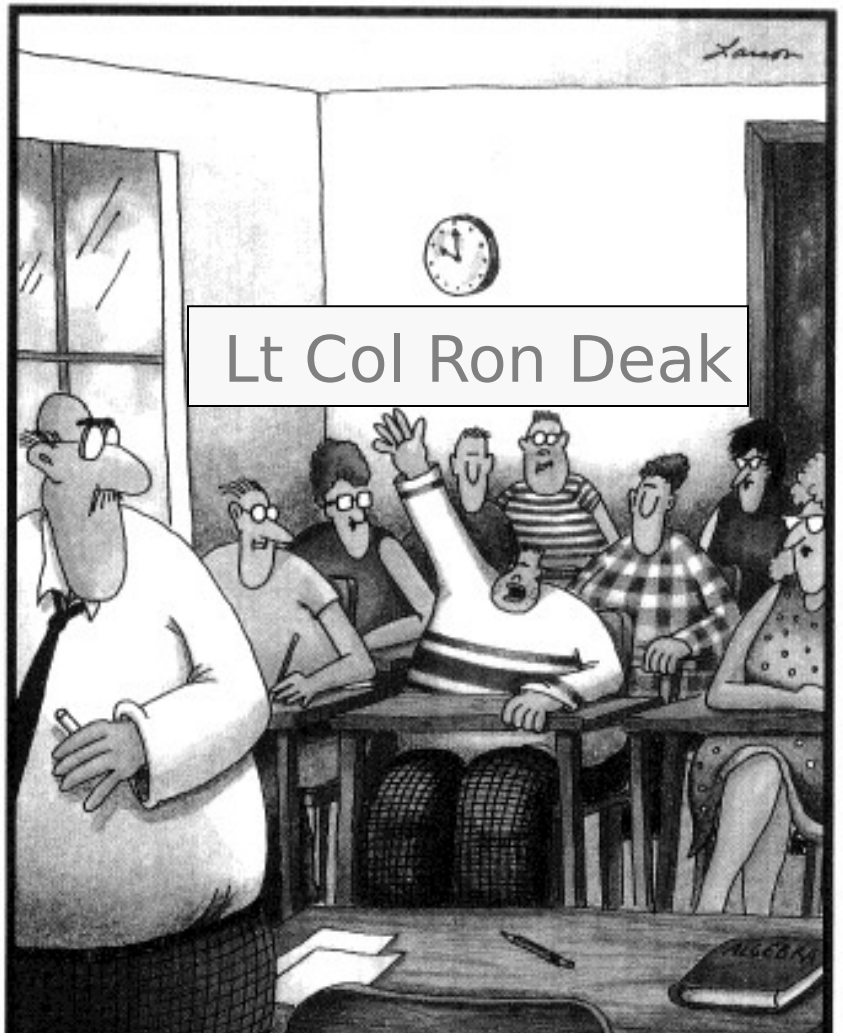
A few minutes from now…

“Col Griffin, may I be excused? My brain is full”



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Air Force Housing Vision

"Highest Quality Housing and Services for Members of the World's Best Air and Space Force"

MILITARY BRATS
BY STEVE DICKENSON
DAD, HAVE YOU AND MOM EVER THOUGHT ABOUT BUYING INTO A TIME SHARE?
WE DID. ABOUT 20 YEARS AGO
...IT'S CALLED BASE HOUSING.
AIR FORCE TIMES
E-Mail: AirBrats@AOL.Com

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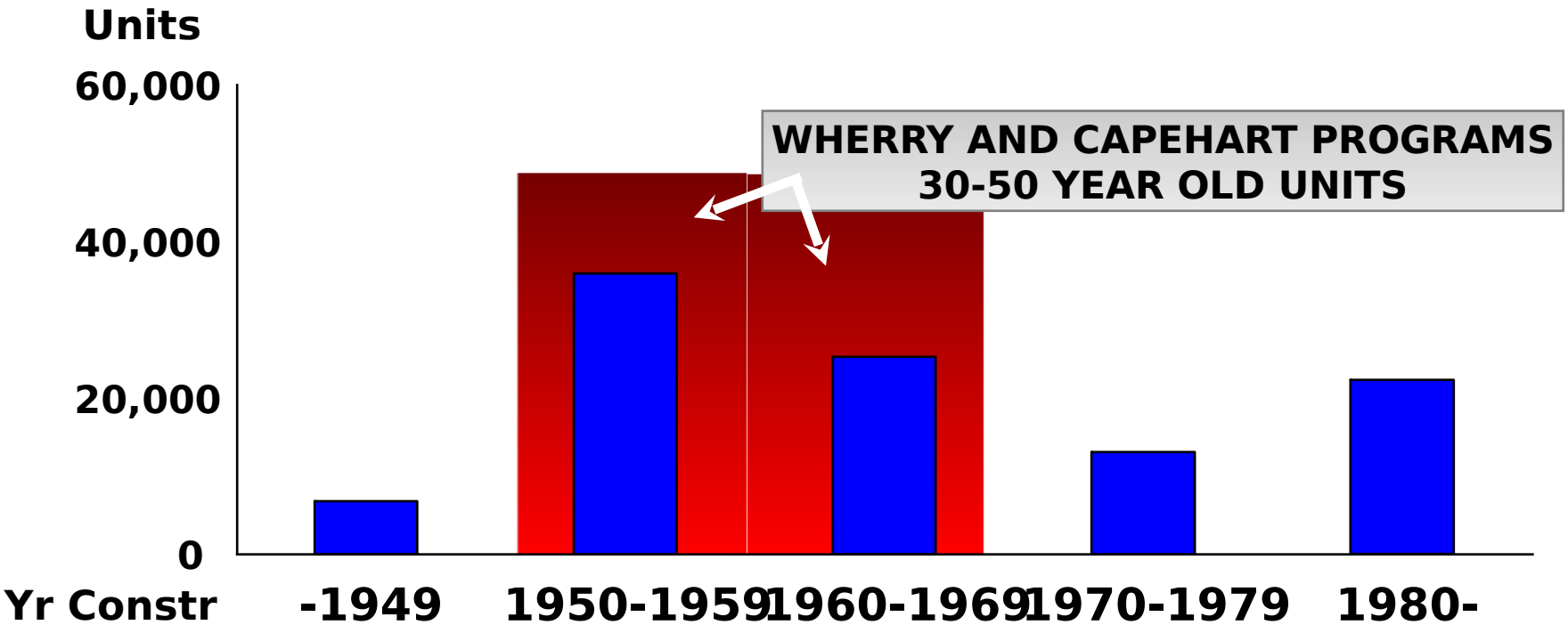
Family Housing Age of Inventory



59,000 Inadequate Units (beginning FY02)
46,000 Inadequate Units (beginning FY03)
40,000 Inadequate Units (beginning FY04)

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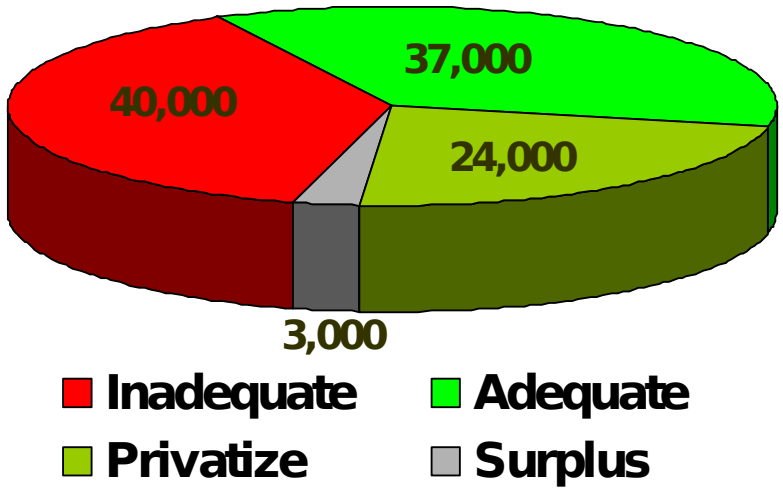
Housing Investment Strategy
Where We Were

Beginning FY 2004: 104,000 Units

(Programmed)



- **Planned to keep/invest in inventory occupied at 98% or higher**
- **AF programmed to eliminate inadequate houses by 2010**
- **Funding Required (FY04-10): Investment = $5.4B, O&M = $6.1B**

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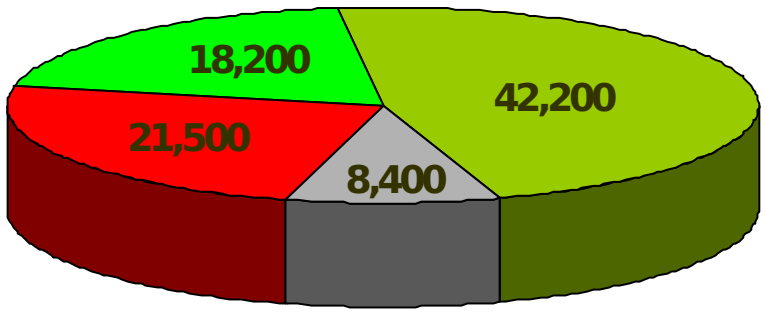
Military Family Housing
Where We're Going

Beginning FY 2006: 90,300 Uni

(Programmed)



- Eliminate inadequate houses by 2007 in CONUS, 2009 overseas
- Increase privatization to at least 60% end state in CONUS
- Rely on local community first; Requirement: 88,950 units
- 2010 End State: 37,900 AF owned, 45,600 privatized, 7,000 leased
- Funding Required (FY06-11): Investment = $3.5B, O&M = $3.7B

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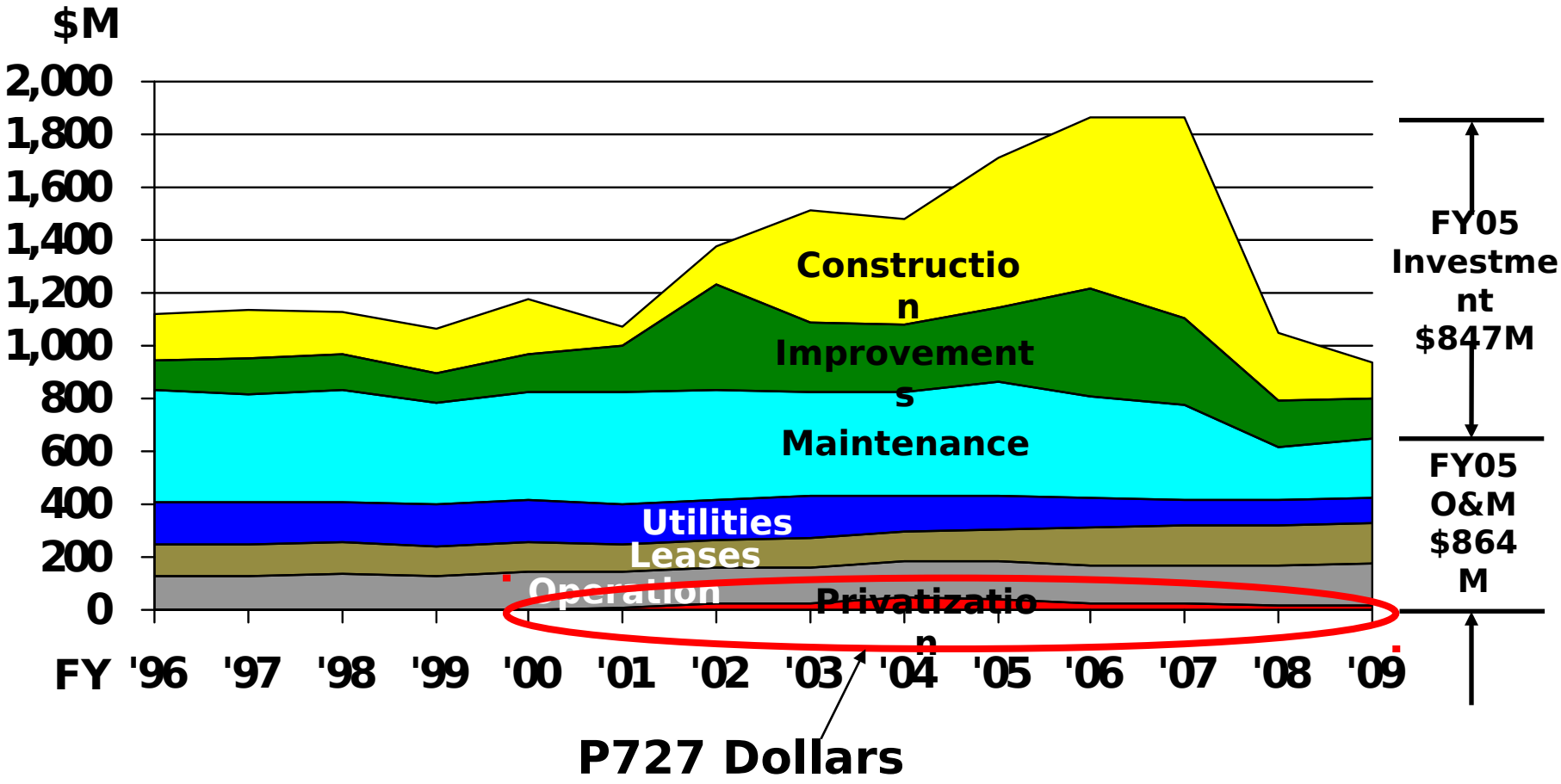
Military Family Housing Budget

Total FY05 Program: $1,711M



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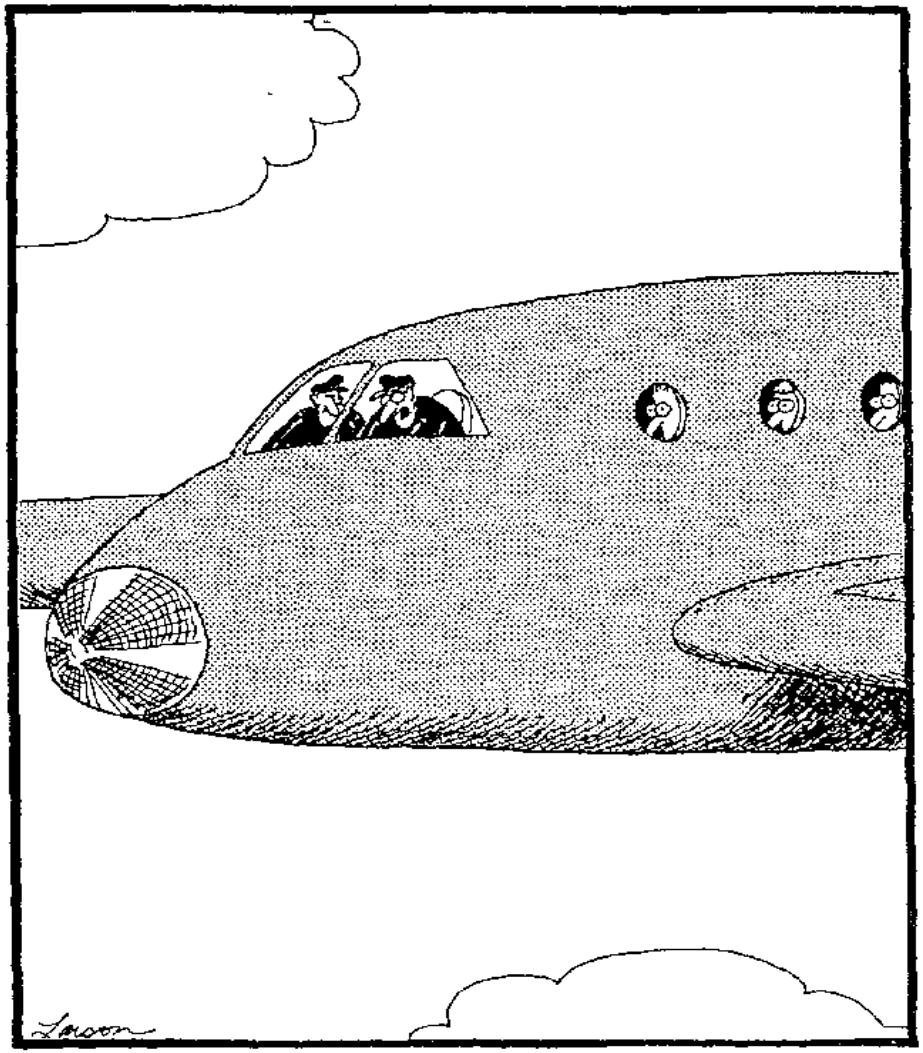
How Some Respond to Privatization!



"The fuel light is on, Col Griffin! We're all going to die!… We're all going to die!… Wait, wait!… Oh, my mistake, that's just the intercom light."

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Why Privatize?

- **Approximately 40% of our families live on base**
- **104,000 AF family housing units**
  - **Average age is 32 years**
  - **40,000 inadequate**
  - **Cost to fix using MILCON: > $5.6 Billion**
  - **Time to fix: 12 years with current funding and no privatization**

"Non-traditional approach to MFH revitalization is required!"

Housing Privatization
Air Force Model

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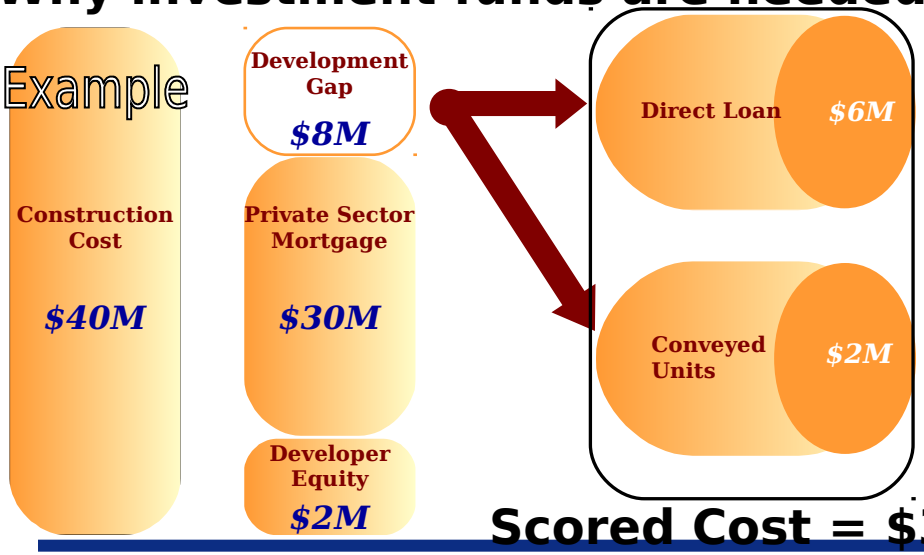
- 50 Year Lease
- Gov't May Provide Loan and/or Limited Loan Guarantee
- Basic Allowance for Housing minus Utility allowance is basis for rent
- Member not required to live there

Lackland AFB, Texas
420 Units - Status: Complete

Why investment funds are needed



Scored Cost = $3M

Privatization projects criteria:

- 3:1 Leverage
- Government Loan < Private Loan
- Privatization lifecycle < MILCON

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Sustain Military Culture in Privatized Housing

- House military families in Air Force communities
  - No out-of-pocket costs
  - Housing grouped by officer/enlisted and grade in community setting
  - Secure communities
  - Community activities centered around ancillary facilities -- playgrounds, sports courts, community center, etc.
  - High standards of appearance
  - Ability to interact with leadership in town meetings

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Leadership is the Key

- **Privatization gives AF quality houses faster than MILCON**
  - **Leaders must adopt new business approaches**
  - **Everything from house size to recreation centers and no-cost services is negotiable in these deals**
- **Continual involvement is the key to success**
  - **All levels of leadership must participate in defining requirements and transitioning to privatized housing**
  - **A strong long-term partnership with the developer will ensure 50 years of good housing**
- **We provide commercial contract expertise in project development and long-term management**
- **AF/IL "Myths & Tips" guidance provides reality check and senior leader perspective to several "road block" issues**
- **Continued commander responsibility for welfare of families is not impeded – and never outsourced!**

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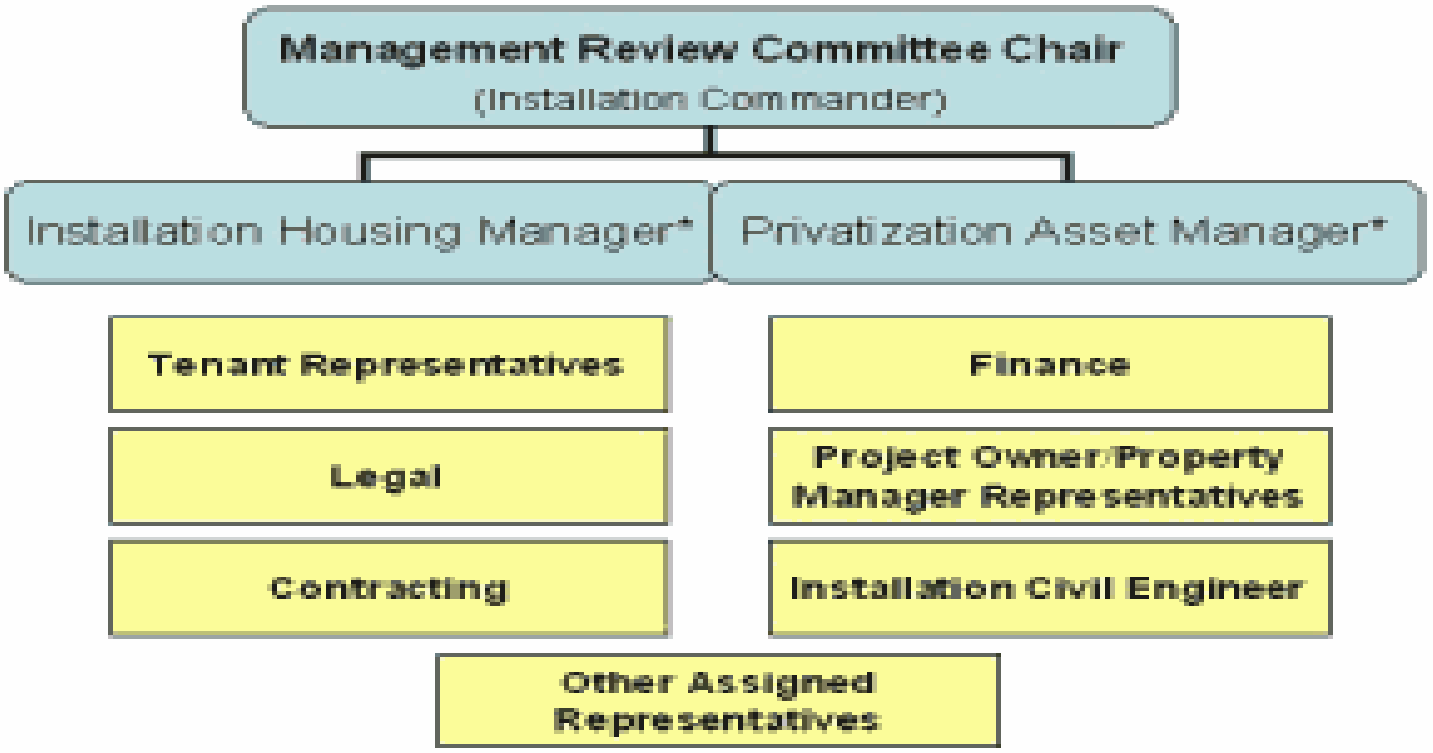
Role of Management Review Committee (MRC)

The purpose is to discuss post transaction closure issues and administrative matters including routine development and operations, tenant relations: quality of service, safety, security, tenant referral issues, budget approval recommendation, capital reinvestment expenditures. The membership includes the Installation Commander (Chair) and asset manager, appropriate other staff, Project Owner and local property manager, residents' representative.

Role of Management Review Committee (MRC)



* Note: Installation Housing Manager and Asset Manager may be the same position dependent on a specific installation's structure. See the diagram below for an example staffing structure.

Privatized Housing Progress

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- **Completed - *2,320 units***
  - **Dyess, Elmendorf, Lackland, Robins**
- **Awarded/Under Construction - *3,772 units***
  - **Kirtland, Moody, Patrick, Wright-Patterson**
- **In Acquisition - *13,422 units***
  - **Beale, Buckley, Cannon, Elmendorf II, Hansco Hickam, Hill, Little Rock, Nellis, Offutt, Shaw**
- **In Development - *20,492 units***
  - **Altus, Barksdale, Columbus, Dover, Eglin/Hurlburt, Fairchild, FE Warren, Holloman, Keesler, Lackland II, Langley, Luke, Maxwell, McChord, McGuire, Scott, Sheppard, Tinker, Travis, Tyndall, Wright-Patterson II**
- **Summary of Projects Programmed**
  - **FY98-01 12 projects = 11,545 units**
  - **FY02 10 projects = 11,727 units**
  - **FY03 5 projects = 5,191 units**
  - **FY04 6 projects = 5,225 units**
  - **FY05-06 7 projects = 6,318 units**
  - **Identified to date: 40,006 units**

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Success of Housing Privatization

	Eight Awarded as of Mar 04	Eleven More Planned by Sep 04
Total # End State Units Privatized	6,092	13,422
Total # Units Replaced	3,337	5,271
Total # Units Renovated	1,061	7,164
Total Development Costs ($M)	$647.3	$1,958.3
AF Contribution (	$103.06	$112.75
L		

Bottom Line: Housing Privatization reduces development time and saves the AF money!

Privatization Process Changes

Air Force must meet the Defense Planning Guide Goal (DPG) to eliminate inadequate housing by end of FY2007— 40 Projects Left To Execute

- **Process changes being considered**
  - **Incorporate Air Staff review board prior to ESG**
  - **Standard design**
  - **Change RFP process to abbreviated step II**
  - **Down select at step 1 and negotiate**
  - **Group bases**

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Goal of Portfolio/Asset Management

The goal of Portfolio/Asset Management is to proactively and systematically manage the post-closing risks and issues associated with military housing privatization to ensure long-term program success.

Housing Privatization: Eight (Plus Four) in Twelve

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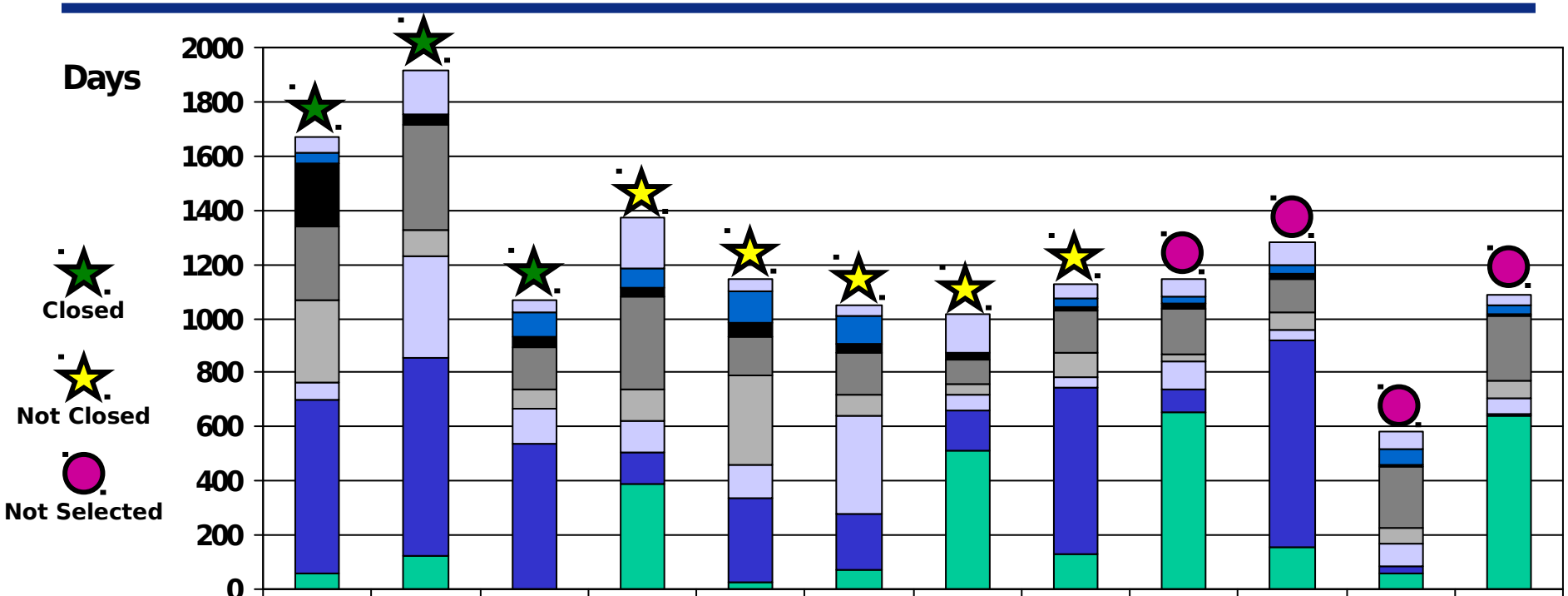

	Kirtland	Patrick	Moody	Hickam	Little Rock	Buckley	Hanscom	Offutt	Shaw	Hill	Cannon	Beale
Award	64	161	45	183	43	37	140	49	62	81	63	36
Notification (Transfer)	34	0	92	72	119	106	0	31	30	31	61	30
Notification (Award)	237	42	36	34	50	30	25	17	15	21	9	11
Step 2	271	390	155	343	139	157	88	155	171	125	222	237
Step 1	306	92	76	118	332	74	44	91	27	64	57	67
Proj Advertised	61	379	130	112	124	362	57	35	105	40	85	54
RFP Approval	639	731	534	121	308	212	147	616	84	765	28	8
Concept Approval	61	123	0	386	28	69	512	130	651	153	58	642

AS OF: 23 Apr 04

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What is Portfolio Management?

- Provides key stakeholders with timely and relevant assessments of performance
- Provides early identification of and intervention into issues impacting performance
- Provides and facilitates solutions, data flow and standardized reporting
- Enables the Air Force to identify and disseminate best practices and lessons learned
- A consistent approach to evaluation and problem resolution
- Continuity in staffing/oversight

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What is Asset Management?

- Coordinates day-to-day operations at the installation with the Selected Offeror (SO) and property manager and supports Portfolio Management efforts
- Provides Installation Leadership/MRC and AFCEE Portfolio Management with timely and relevant information on project performance
- Provides early identification of issues affecting projects

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Housing Flight
FAS Concept

- Housing Functional Area Staff (FAS)
- Inherently governmental housing functions, which must be performed by experienced 1173 Housing professionals when:
  - Contractor operated
  - Private developer operated
  - Most Efficient Organization (MEO)
- FAS numbers per installation depends on size & complexity of base
  - Housing FAS positions implemented with FY04 budget
- If experiencing problems - elevate to MAJCOM!

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Housing Flight of the Future

- **Steps for transforming family housing operations**
  - **Identify manpower/workload requirements**
  - **Develop organizational structure**
  - **Develop core documents and education/training requirements**
- **Proposed development schedule for standardized AF housing flights**
  - **Working group met 27-28 April 04 to identify manpower/workload requirements**
  - **Housing Flight IPT meets 22-24 Jun 04 (tentative) to:**
    - **Develop organizational structure templates and core docs for FAS and Non-FAS positions**
    - **Coordinate with Housing Training Committee to develop education/training paths and curriculums for housing staff**
- **Implementation of standardized housing flight structure**
  - ***Goal is Oct 04***

AF Goal: Housing Excellence

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"Provide access to safe, contemporary, affordable, & adequate housing on & off base."

CE Strategic Plan, Vol. I